

**FAMILY LIFE ACADEMY CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
TOGETHER WITH THE INDEPENDENT
AUDITORS' REPORTS AND SUPPLEMENTAL
INFORMATION**

FEDERAL IDENTIFICATION NUMBER 13-4170389

**FAMILY LIFE ACADEMY CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2009
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R.D. PATEL & COMPANY

Certified Public Accountants

Independent Auditors' Report

Board of Directors
Family Life Academy Charter School
140 West 170th Street
Bronx, New York 10452

We have audited the accompanying statement of financial position of Family Life Academy Charter School (the "school") as of June 30, 2009 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the school's management. Our responsibility is to express our opinion on these financial statements based on audit.

We conducted our audit in accordance with *auditing standards* generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Life Academy Charter School as of June 30, 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009 on our consideration of Family Life Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



R.D. PATEL & COMPANY

Monroe, New Jersey

October 28, 2009

12 Andrew Drive
Monroe, New Jersey 08831
Tel: (732) 605-9111
Fax: (732) 605-9196

Member of:

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American Institute of Certified Public Accountants
New York State Society of Certified Public Accountants
New Jersey State Society of Certified Public Accountants
American Board of Forensic Accounting

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009**

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 269,166
Investment (Note 3)	398,982
Accounts Receivable (Note 4)	33,579
Grants Receivable (Note 5)	110,951
Prepaid Expenses (Note 6)	<u>127,265</u>
Total Current Assets	939,943

Fixed assets (at cost \$1,366,875) net of accumulated depreciation
and amortization of \$1,366,875 (Note 7)

-
<u>939,943</u>

TOTAL ASSETS

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses (Note 8)	117,925
Vacation Accrual (Note 9)	<u>68,873</u>
Total Current Liabilities	186,798

Net Assets:

Unrestricted net assets

Operations (deficit)	753,145
Fixed assets	<u>-</u>
Total Unrestricted net assets	753,145

Temporarily restricted net assets

-

Permanently restricted net assets

-

Total Net Assets	<u>753,145</u>
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TOTAL LIABILITIES AND NET ASSETS

<u>\$ 939,943</u>

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operations	Fixed Assets	Total			
<u>SUPPORT AND REVENUE:</u>						
Student Enrollment	\$ 3,842,448		\$ 3,842,448			\$ 3,842,448
Federal Grants	220,175		220,175			220,175
State Grants (Food Service Reimbursement)	108,102		108,102			108,102
Public Support	32,226		32,226			32,226
Interest Income	32,682		32,682			32,682
Other Income	10,294		10,294			10,294
TOTAL SUPPORT AND REVENUE	4,245,927	-	4,245,927	-	-	4,245,927
<u>EXPENSES:</u>						
Program services:						
Educational Services	3,827,076	174,316	4,001,392	-		4,001,392
Support services:						
Management and general	478,481	40,889	519,370			519,370
TOTAL EXPENSES	4,305,557	215,205	4,520,762	-	-	4,520,762
Change in net assets	(59,630)	(215,205)	(274,835)	-	-	(274,835)
Net assets, July 1, 2008	812,775	215,205	1,027,980	-	-	1,027,980
Other Changes:						
NET ASSETS, JUNE 30, 2009	\$ 753,145	\$ -	\$ 753,145	\$ -	\$ -	\$ 753,145

See accompanying notes to the financial statements

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities:

Change in net assets	\$	(274,835)
Depreciation and amortization		215,205
(Increase) in grants receivable		(110,951)
(Increase) in Accounts Receivable		(33,579)
(Increase) in prepaid expenses		(100,765)
Increase in accounts payable and accrued expenses		98,090
Increase in Vacation Accrual		28,012
		<hr/>
Net cash provided (used) by operating activities		<u>(178,823)</u>
Net Increase in Cash, Cash Equivalents & Investment		<u><u>(178,823)</u></u>
Cash, Cash Equivalents & Investment- July 1, 2008		846,971
Cash, Cash Equivalents & Investment- June 30, 2009	\$	<u>668,148</u>

See accompanying notes to the financial statements

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	
	<u>Educational Services</u>	<u>Management and General</u>	Total
Salaries	\$ 2,464,778	\$ 202,780	\$ 2,667,558
Payroll taxes and fringe benefits	405,806	33,378	439,184
	<u>2,870,584</u>	<u>236,158</u>	<u>3,106,742</u>
Rent & Utilities	336,000	64,000	400,000
Telephone	17,981	5,993	23,974
Contracted Services	17,585	74,335	91,920
Food	137,207	-	137,207
Insurance	32,846	6,800	39,646
Travel & Meetings	12,797	-	12,797
Repairs and Maintenance	37,388	7,122	44,510
Educational Materials	119,093	-	119,093
Software & Internet	23,613	4,498	28,111
Office & Program Supplies	108,313	60,740	169,053
Equipment Rental & Maintenance	23,270	4,432	27,702
Equipment Purchase	16,169	-	16,169
Incentives	5,643	-	5,643
Training & Certification	7,765	-	7,765
Depreciation and Amortization	174,316	40,889	215,205
Staff Development	26,828	-	26,828
Assessment & Evaluation	5,567	-	5,567
Dues & Subscriptions	8,611	-	8,611
Postage	6,392	-	6,392
Misc.	13,425	14,403	27,828
	<u>4,001,392</u>	<u>519,370</u>	<u>4,520,762</u>
Total expenses	<u>\$ 4,001,392</u>	<u>\$ 519,370</u>	<u>\$ 4,520,762</u>

See accompanying notes to the financial statements

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1. ORGANIZATION:

Nature of Activities:

The Family Life Academy Charter School (the "School") is a Charter School incorporated pursuant to the New York Charter School Act of 1998. The School, a bilingual/immersion school in a predominately Latino Community in the South Bronx, seeks to empower New York City English language learners in grades Kindergarten through grade 5 to achieve high standards in both English and Spanish, help them take responsibility for their own learning, and encourage them to explore and affirm human values.

The School was granted its Charter by the Board of Regents of the University of the State of New York on May 14, 2001, and began classes in September 2001. The initial charter expired on June 30, 2006. On July 1, 2006, the School received a two-year renewal of its charter, which will expire on June 30, 2009. On May 19, 2008, the School received renewal of its charter, which will expire on June 29, 2013.

The School receives a substantial amount of funding (approximately 90%) for student enrollment from the New York City Department of Education.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation and Contribution:

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," Family Life Academy Charter School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Family Life Academy Charter School is required to present a statement of cash flows.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). In preparing financial statements in conformity with GAAP, management must make estimate based on future events that affect the reported amounts of assets.

Support and Revenues:

Unrestricted:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the support is recognized.

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted:

Amounts received that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Family Life Academy Charter School has no temporarily restricted net assets.

Permanently Restricted:

Amounts received that are to be held in perpetuity are reported as permanently restricted support that increases that net assets class. Family Life Academy Charter School has no permanently restricted net assets.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets:

Fixed assets acquired by Family Life Academy Charter School are considered to be owned by Family Life Academy Charter School. However, the funding sources may maintain an equitable interest in the assets as well as the determination of the use of any proceeds from the sale of these assets acquired with their funding.

Family Life Academy Charter School follows the practice of capitalizing all assets acquisitions in excess of \$1,000. Depreciation is computed on a straight-line basis over the estimated service lives on the assets generally as follows:

Recognition of Revenue:

Tuition and fees received for future years are deferred to the applicable year and are shown as deferred revenue on the statement of financial position.

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (CONTINUED)

Cash and Cash Equivalents:

The School considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. As of June 30, 2009 cash in bank consisted amount to \$269,166.

Tax-Exempt Status:

The School is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code and, therefore, has made no provisions for Federal income taxes in the accompanying financial statements. In addition, Family Life Academy Charter School has been determined by the Internal Revenue Services not to be a "private foundation" within the meaning of Section 509 (a)(1) of the Code.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3. INVESTMENT:

The School has one (1) Certificate of Deposit at Ponce De Leon, which will mature on December 22, 2011 and is currently accruing 5.13% interest. As of June 30, 2009 the balance at the bank is \$398,982.

NOTE 4. ACCOUNTS RECEIVABLE:

As of June 30, 2009 accounts receivable consisted of:

Universal Service Administrative Co.	\$22,680	Realized August 2009
NYS Child Nutrition Management System	<u>10,899</u>	Realized July 2009
	\$33,579	

NOTE 5. GRANTS RECEIVABLE:

As of June 30, 2009 grants receivable amounting \$110,951 is due from NYS Education Department for various grants.

NOTE 6. PREPAID EXPENSE:

As of June 30, 2009 prepaid expense consisted of:

Latino Pastoral Action Center	\$70,667	- Space Rent July & December 2009
Latino Pastoral Action Center	31,347	- Fiscal Year 2009 monthly overpayment
Fran Prolman Zimmerman, ED.D	4,400	- Teachers training 2009/2010 school year
Conference Associate Inc.	<u>20,851</u>	- Health Insurance July 2009
	\$127,265	

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

NOTE 7. FIXED ASSETS:

As of June 30, 2009 fixed assets consist of:

Furniture and fixtures (Straight Line 7 Years)	\$ 393,770
Leasehold Improvement (Life of Lease)	<u>973,105</u>
	\$ 1,366,875
Less: accumulated depreciation and amortization	<u>(1,366,875)</u>
Fixed Assets (Net)	0

NOTE 8. ACCOUNTS PAYABLE & ACCRUED EXPENSES:

As of June 30, 2009 Accounts Payable & Accrued Expenses consisted of:

payroll & fringes	\$82,811- prorated seven (7) days June payroll paid in July 2009
Other vendors	<u>35,114</u> - paid in July & August 2009
	\$117,925

NOTE 9. VACATION ACCRUAL:

Family Life Academy Charter School policy for personal days for only full-time employees is as follows:

Each 10-month working employee is granted one (1) illness/personal days per month effective on the 15th of each month, for a total of 10 days.

Each 12-month working employee is granted one (1) illness/personal days per month effective on the 15th of each month, for a total of 12 days.

As of June 30, 2009, vacation (personal days) earned but not used amounts to \$68,873.

NOTE 10. RELATED PARTY TRANSACTIONS:

The School was established by and is operated with the assistance of The Latino Pastoral Action Center (LPAC). The President of LPAC is a member of the Board of the School and husband of Ms. Calo, school principal. In addition, classrooms and office facilities of the School are leased from LPAC (see Note 8).

NOTE 11. RETIREMENT PLAN:

The School has a Simple IRA plan for all eligible employees that is predominantly funded by employees' contributions. The School matches employees' contributions up to 3% of their annual salary. Pension expense for the year ended June 30, 2009 \$36,666. Based on a letter dated October 16, 2009 by Mr. Scott Quintero, Director of Finance, FLACS is not required to file form 5500 with Internal Revenue Service.

**FAMILY LIFE ACADEMY CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2009**

NOTE 12. COMMITMENTS AND CONTINGENCIES:

1 The School is obligated under an operating lease with LPAC for the rental of classrooms and office space. The lease was entered into on July 1, 2001 for a term of five years. The lease carries renewal options and grants the School an option to extend the initial term of the lease for an additional five years.

During 2004, the School agreed to rent additional space from LPAC for three new classrooms, a small office, and the use of the gymnasium and multi purpose room at a total cost of \$21,667 per month. The rider to the lease is effective July 1, 2004 to June 30, 2006.

During 2006, the School renewed its operating lease for an additional two-year period effective from July 1, 2006 to June 30, 2009 for a total cost of \$25,000 and \$26,500 per month for the annual lease periods ending June 30, 2007 and 2008, respectively.

On July 1, 2008, a lease was renewed for additional five (5) years ending June 30 2013.

The minimum annual commitments under the lease obligation are as follows:

<u>Year Ending</u>	<u>Amount</u>
2010	\$424,400
2011	449,440
2012	476,406
2013	504,991

Rent expense totaled \$400,000 for the year ended June 30, 2009

2 The School leases two (2) office copy & fax machines, each under five-year non-cancelable operating leases with the effective March 2008.

The minimum annual commitments under the lease obligations are as follows:

<u>Year Ending</u>	<u>Amount</u>
2010	\$25,971
2011	25,971
2012	25,971
2013	19,478

3 The School is subject to audits from various funding organizations that support its programs. The grants are subject to adjustments for disallowed costs, if any, based upon the results of the audits.

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 13. CONCENTRATION OF CREDIT RISK:

1 Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Coverage (FDIC) limit of \$250,000 during the fiscal year ending June 30, 2009.

2 Concentration of risk exists between the School and the New York City Department of Education, from which the School receives a substantial amount of its funding for student enrollment.

NOTE 14. PAYROLL TAXES:

We reviewed quarterly payroll tax returns filed for the period July 1, 2008 to June 30, 2009. The quarterly payroll tax returns appear to have been properly prepared and the taxes due paid in a timely manner.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS.**

Board of Directors
Family Life Academy Charter School
14 West 170th Street
Bronx, New York 10452

We have audited the financial statements of Family Life Academy Charter School (the "school") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Life Academy Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Family Life Academy Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

R.D. PATEL & COMPANY

Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Life Academy Charter School's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and Board of Family Life Academy Charter School) federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



R.D. PATEL & COMPANY

Monroe, New Jersey

October 28, 2009